



CONGRESSIONAL BUDGET OFFICE PAY-AS-YOU-GO ESTIMATE

December 5, 2000

S. 2796

Water Resources Development Act of 2000

As cleared by the Congress on November 3, 2000

SUMMARY

S. 2796, the Water Resources Development Act of 2000, contains several provisions that would affect direct spending. These provisions would authorize the Secretary of the Army, acting through the Army Corps of Engineers (Corps) to:

- Build and operate facilities to produce hydroelectric power at the Bluestone Dam in West Virginia;
- Accept and spend funds from certain customers of the federal power marketing administrations (PMAs) to increase the production of electricity at federal dams;
- Receive funds from the Federal Highway Administration to make improvements at the Raystown Lake project in Pennsylvania;
- Accept and spend funds contributed by private firms to expedite the evaluation of certain federal permit applications submitted to the Corps; and
- Convey, sell, and exchange certain federal lands.

CBO estimates that the act would increase direct spending by \$2 million in 2001, \$69 million over the 2001-2005 period, and \$72 million over the 2001-2010 period.

ESTIMATED IMPACT ON DIRECT SPENDING

CBO's estimate of the impact of S. 2796 on direct spending is shown in the following table. Only the estimated changes in the budget year and the succeeding four years are counted for pay-as-you-go purposes. The costs of this legislation fall within budget functions 270 (energy) and 300 (natural resources and environment).

	By Fiscal Year, in Millions of Dollars									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Changes in outlays	2	6	18	25	18	3	0	0	0	0
Changes in receipts					Not applicable					

BASIS OF ESTIMATE

Bluestone Hydroelectric Facility

S. 2796 would authorize the construction of facilities to generate hydroelectric power at the Bluestone Dam in West Virginia. The legislation would allow the Corps to enter into an agreement with the Tri-Cities Power Authority, a consortium of local governments in West Virginia, to provide funds for the construction of these facilities which would be owned, operated, and maintained by the Corps. The legislation also would authorize the Southeastern Power Administration (SEPA) to use receipts from the sale of electricity to repay the Tri-Cities Power Authority for the design and construction costs of these hydroelectric facilities.

Under the agreement with the Corps, the Tri-Cities Power Authority would raise funds for construction of the new facilities. CBO expects that the receipt and repayment of the funds borrowed from the Tri-Cities Power Authority by the Corps would be accounted for in the budget as a means of financing government operations (i.e., agency borrowing). CBO estimates that the expenditure of these borrowed funds for the purpose of constructing improvements to a federal water project would increase direct spending by about \$70 million over the 2002-2006 period.

In addition, following completion of the construction project in 2006, the government would incur an additional annual interest cost for the next 50 years on the funds borrowed from the Tri-Cities Power Authority of about \$5 million annually. This cost would be offset by additional electricity sales and increases in power rates charged by SEPA of about \$5 million annually after 2006.

Hydroelectric Power Project Funding

S. 2796 would allow the Corps to accept and use funds provided by certain customers of the PMAs to fund projects that would increase the production of electricity at federal dams. In

the next few years, CBO estimates that the Corps would accept and spend about \$500,000 each year under this provision, and that net spending would be negligible. (Such amounts could grow over time, but CBO has no basis for projecting significant receipts and spending under this provision.) We also expect that the net increase in receipts from the sale of electricity from implementing these projects would be negligible because PMA customers that choose to provide such funds to the Corps would be repaid by receiving electricity (for free or at a reduced price) in exchange.

Raystown Lake Project

S. 2796 would allow the transfer of certain funds already appropriated to the Federal Highway Administration to the Corps to pay for improvements at the Raystown Lake project in Pennsylvania. Based on information from the U.S. Department of Transportation and the Pennsylvania Department of Transportation, CBO does not expect the funds to be transferred would be spent under current law. The transfer authorized by S. 2796 would result in the spending of these funds, and CBO estimates this provision would increase direct spending by \$1 million in 2001.

Funding to Process Permits

S. 2796 would authorize the Corps to accept and spend funds contributed by private firms to expedite the evaluation of permit applications submitted to the Corps. CBO estimates that the Corps would accept and spend less than \$500,000 each year and that the net budgetary impact of this provision would be negligible.

Land Sales in Florida

S. 2796 would prohibit the sale of surplus federal property to fund restoration of the ecosystem in the Florida Everglades. Under current law, the federal government has the authority to sell land and spend the proceeds of the sale without further appropriation. CBO estimates this provision would increase direct spending in 2001, because net proceeds from these sales were anticipated to be \$1 million in 2001.

Various Land Conveyances

S. 2796 would authorize the Corps to convey certain lands in Washington, D.C., near Lake Sidney Lanier in Georgia, and near Fort Peck Lake in Montana. CBO estimates that the

Corps would receive between \$100,000 and \$300,000 each year over the next 10 years as a result of these conveyances. The Corps would forgo an insignificant amount offsetting receipts that are currently collected for the use of these lands. S. 2796 also would authorize the Corps to sell certain lands in Alabama and Mississippi, and to use the proceeds to purchase other lands near the Tennessee-Tombigbee project. CBO estimates the Corps would receive and spend less than \$100,000 each year under this authority over the next several years. Finally, S. 2796 also would authorize the Corps to receive about 9 acres of land in Pike County, Missouri, from S.S.S. Lumber, Inc., and convey 9 acres of federal land to the company. CBO estimates that the Corps would forgo an insignificant amount of offsetting receipts that are currently collected for the use of the federal land.

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